

(800) 473-6757

Call the  
**MOSTARS**  
Information  
Center

to speak with trained  
staff members about  
any story in this  
newsletter  
as well as to obtain  
free information about  
state and federal  
student financial  
assistance programs.

(573) 751-3940

**March 2001**



**Missouri Student Assistance Resource Services**

**MOSTARS is the student assistance division of the Missouri Department of Higher Education.**

## **MOSTARS Administrative Advisory Committee Established**

In partnership with the Missouri Association of Student Financial Aid Personnel Executive Board, MOSTARS has established the MOSTARS Administrative Advisory Committee to work with MOSTARS on administrative policies that affect the daily administration of student financial assistance programs, early awareness and outreach activities, and default prevention and consumer information initiatives.

Advisory committee members include:

### **MASFAP Delegates at Large**

**Debbie Below**, Jefferson College

**Steve Nichols**, Assemblies of God  
Theological Seminary

**Bob Whites**, University of Missouri-Rolla

**Debbie Williams**, Firststar/Mercantile Bank

**Note:** MASFAP delegates at large will serve on the advisory committee during their elected terms on the MASFAP Board.

### **Public Four-Year Institutions**

**Pat McTee**, University of Missouri-  
Kansas City - 1-year term

### **MOSTARS News**

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**Karen Walker**, Southeast Missouri  
State University - 2-year term

### **Public Two-Year Institutions**

**Pauletta Burns**, Three Rivers Community  
College - 1-year term

**Patricia Wright-Tatum**, Nichols Career  
Center - 2-year term

### **Independent/Vocational Technical Institutions**

**Sue Armstrong**, William Jewell College -  
1-year term

**Jon Gruett**, Webster University -  
2-year term

### **Private Career Schools**

**Leslie Harmon**, Missouri College -  
1-year term

**Steve Witte**, Allied Medical College -  
2-year term

### **Lending Institutions**

**Christine Appelbaum**, First Bank -  
1-year term

**Ronn Ramey**, Bank of America -  
2-year term ★

## **In this issue**

Q & A ..... 2

Mapping Your Future Early  
Awareness E-News Available. .... 3

Staff News ..... 4

GEAR UP Missouri Hires  
New Staff ..... 5

MOSTARS Directory  
Assistance ..... 6

Highlights of Final  
Rule Changes ..... 7

Perkins Loan Entrance  
Counseling Now Available. .... 9



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This portion of the **MOSTARS** newsletter includes questions and answers about topics that our clients bring to our attention.

If you think there is a need for a published clarification on a particular topic, contact the **MOSTARS Information Center at (800) 473-6757 or (573) 751-3940** to discuss the topic.

If one of your questions is published, put yourself on the back for asking a question that may benefit other clients.

## For Your Convenience

An information box indicating subject matter accompanies each article in this newsletter.

This box also contains the name of the article's contact person (where applicable) and his or her phone number and e-mail user ID.

The user ID is now the `firstname.lastname`. The formula for e-mail addresses at the Missouri Department of Higher Education is as follows:

USER ID@moche.gov

Remember, you also can contact the **MOSTARS Information Center at (800) 473-6757 or (573) 751-3940**.

The following Q&As reflect a change in U.S. Department of Education policy regarding the treatment of a second or subsequent undelivered Federal Family Education Loan Program disbursement as aid that could have been disbursed for the purpose of calculating the amount of Title IV aid that a withdrawn student earned. The USDE announced this change in GEN-00-24, Return of Title IV Funds, Volume #1, in December. Several of these Q&As appeared in the November and December MOSTARS newsletters prior to the publication of GEN-00-24. The Q&As that appear below have been revised and expanded to include the newest guidance and are excerpts from compliance Q&As that will be posted to the MOSTARS web site. Additional updates will be posted to the MOSTARS web site and published in future MOSTARS newsletters, as needed, if the USDE releases additional clarification.

### Scenario 1

A school makes a loan for an enrollment period that includes two payment periods. One Federal Family Education Loan Program disbursement is scheduled to coincide with each of the two payment periods. The first FFEL Program loan disbursement is delivered to the student. Before the second FFEL Program loan disbursement is delivered, the school determines that the student withdrew. This institution calculates the return of Title IV funds on a period of enrollment basis.

**In scenario 1, how should the first and second FFEL Program loan disbursements be treated when the student withdraws during the first payment period?**

If the student withdraws during the first payment period, the first FFEL Program loan disbursement is included in aid that was disbursed. Since the student did not complete the first payment period, the student did not establish eligibility to receive the undelivered, second FFEL Program loan disbursement intended for the second payment period. The net amount of the undelivered second disbursement may not be included in aid that could have been disbursed.

**In scenario 1, how should the first and second FFEL Program loan disbursements be treated when the student withdraws during the second payment period?**

If the student withdraws during the second payment period, the first disbursement of the FFEL Program loan is included in aid that was disbursed. Solely for the purpose of determining the amount of Title IV aid earned, the net amount of the undelivered, second FFEL Program loan disbursement is included in aid that could have been disbursed. If the student earned more Title IV aid than was disbursed, the post-withdrawal disbursement may include available funds from other Title IV programs, but the second FFEL Program loan disbursement may not be included.

## Scenario 2

A Federal Stafford Loan or Federal Parent Loan for Undergraduate Student is certified during the second of two payment periods in a period of enrollment. The loan is certified retroactively to the beginning of the period of enrollment that includes both payment periods, and the student successfully completes the first payment period. The student withdraws during the second payment period after loan certification; but, as of the date the school determined that the student withdrew, neither the first nor the second FFEL Program loan disbursement was delivered. The school is required (or has chosen) to calculate the return of Title IV funds on a payment period basis.

### In scenario 2, how should the second disbursement of the FFEL Program loan be treated?

The net amount of the undelivered, second disbursement is included in aid that could have been disbursed only for the purpose of determining the amount of Title IV aid earned. However, if the school determines that the student earned more Title IV aid than was disbursed, a post-withdrawal disbursement may not include any of the undelivered, second FFEL Program loan disbursement.

The treatment of the first disbursement as a late disbursement was discussed as part of the Return of Title IV funds Q & A in the December 2000 MOSTARS newsletter.

The following Q & As, which originally appeared in the November 2000 MOSTARS newsletter, have been updated to reflect new guidance the USDE provided to MOSTARS. According to 34 CFR 668.22(l)(1), aid that could have been disbursed is determined in accordance with late disbursement provisions in 34 CFR 668.164(g). 34 CFR 668.164(g)(1) states that a school may make a late disbursement of FFEL Program funds if the sole reason the student became ineligible is due to a change in enrollment status. However, the USDE now has outlined certain exceptions to the regulatory definition of aid that could have been disbursed that permit a student to establish eligibility for FFEL Program funds even after the school determines that the student withdrew.

**The first disbursement of a Federal Stafford Loan has not been delivered to a first-time borrower as of the date the school determines that the student withdrew. The student withdrew during the first payment period and has not completed required entrance counseling, or verification is incomplete. For the purpose of determining the amount of Title IV aid that the student earned, should the net amount of the first disbursement be included in aid that could have been disbursed?**

Even after the school determines that the student withdrew, if the school determines and documents that the student completed entrance counseling requirements, the net amount of an undelivered, first Federal

## Mapping Your Future Early Awareness E-News Available

### MOSTARS News

Judy Cantoni  
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Middle school and high school counselors and teachers will benefit from a new, electronic newsletter offered by Mapping Your Future at [mapping-your-future.org](http://mapping-your-future.org).

MYF Counselor E-News provides information for helping middle and high school students interested in planning for the future. Anyone can subscribe to the electronic newsletter by visiting the Early Awareness E-News subscription page online at [mapping-your-future.org/services/awarenessnews.htm](http://mapping-your-future.org/services/awarenessnews.htm).

The purpose of this free newsletter is to provide college, career, and financial aid information as well as tips and ideas for those who work with middle school and high school students. In addition, the newsletter provides information about services and events.

Some of the topics to be covered in Counselor E-News include:

- ★ college selection tips,
- ★ college preparation tips,
- ★ ideas for events or activities at your school,
- ★ career selection tips,
- ★ news of events and services,
- ★ FAFSA tips,
- ★ Calendar of Counselor Events,
- ★ questions and answers, and
- ★ web resources.

The newsletter is sent to recipients electronically on the first Monday of each month.

Questions, story ideas, or comments about the newsletter can be sent to [feedback@mapping-your-future.org](mailto:feedback@mapping-your-future.org). If you have questions or comments about the newsletter or any other service or event, contact your MOSTARS client service representative. ★

# Staff News

## Welcome!

**M**arilyn Landrum joined MOSTARS as a program specialist for student loan default prevention on Feb. 20. She will be working with CariAnne Cutshall to develop and promote MOSTARS' default prevention and debt management programs and services. She also will provide default prevention training to postsecondary institutions and will be available to provide one-on-one loan counseling to borrowers at risk of default.

Marilyn previously served as legislative assistant for Rep. Jim Froelker at the Missouri House of Representatives. She received a bachelor's degree in business administration from Lincoln University in May 2000.

Marilyn has two daughters: Sara, 22, and Elizabeth, 16. She enjoys volleyball, sewing, and reading. She also teaches a senior high school Sunday school class.

Marilyn looks forward to working with students and schools. She says the enthusiasm of other MOSTARS staff is contagious, though she brings her own enthusiasm with her.

**A**manda Nibbelink began work as a program specialist for the state student assistance programs on March 6. She graduated from Columbia College in December with a degree in business administration.

Her responsibilities include performing administrative and maintenance activities that support the daily functions of all state student financial assistance programs.

Amanda lives in Columbia and looks forward to her upcoming marriage in June.

MOSTARS is pleased to welcome them both. ★

Stafford Loan disbursement is included in aid that could have been disbursed and may be used in a post-withdrawal disbursement if necessary.

If the school determines and documents that the student completed verification requirements within the school's time frame for verification completion described in 34 CFR 668.53(a)(1), the net amount of an undelivered, first Federal Stafford Loan disbursement is included in aid that could have been disbursed and may be used in a post-withdrawal disbursement if necessary. (Note: Verification is not required for an unsubsidized Federal Stafford Loan.)

**As of the date of determination that the student withdrew, the school has not received information necessary to make a satisfactory academic progress determination, or the student is pursuing the school's policy for appealing a determination that the student failed to maintain satisfactory academic progress. May the school include the net amount of an undelivered FFEL Program loan disbursement in aid that could have been disbursed if the school later determines and documents that either the student met satisfactory academic progress standards, or the student successfully appealed the school's determination that the student failed to meet satisfactory academic progress standards?**

**Y**es, unless the school is otherwise prohibited from including an undelivered, second or subsequent disbursement of a FFEL Program loan in aid that could have been disbursed, as described in preceding Q&As.

Schools should be mindful that when the student establishes eligibility to receive funds after the school determines that the student withdrew, any post-withdrawal disbursement that includes those funds must be made within 90 days of the date the school determines that the student withdrew. ★

# GEAR UP Missouri Hires New Staff

**L**isa Anderson, Alicia Buck, and Tanesha Washington have more in common than the similarity in the pronunciation of their first names. They are the new regional coordinators for the GEAR UP Missouri program. Lisa and Alicia will work with the GEAR UP partner schools in St. Louis and southeast Missouri, and Tanesha will work with GEAR UP partner schools in Kansas City. All three bring valuable experience to their positions.

Lisa graduated from Harris-Stowe State College with a bachelor's degree in urban education and holds a master's degree in mass communication/business administration from Webster University. She has taught in the Head Start Program and has worked as a home school liaison with the St. Louis Public School System

and as an establishment technician with the Missouri Division of Child Support Enforcement.

Alicia graduated from the University of Missouri-St. Louis with a bachelor's degree in psychology and a minor in child and adolescent development. She has worked as a parent educator with the Parents as Teachers Program in the Normandy School District, a foster/adoption specialist with Annie Malone's Children and Family Center, and a case manager of independent living at the ECHO Emergency Children's Home.

Tanesha holds a bachelor's degree in English from the University of Arkansas-Pine Bluff and a master's degree in integrated humanities education from Rockhurst University. She has worked as a first grade

## GEAR UP News

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teacher in the Baltimore (Md.) school district, a career consultant with the Full Employment Council, and a parent educator in the Parents as Teachers Program.

The regional coordinators will serve as the primary liaisons between the GEAR UP school coordinators and the Missouri Department of Higher Education. Their duties include providing leadership to school coordinators, conducting on-site visits to participating middle schools, gathering school data, conducting home visits, and developing relationships with community organizations. ★

## Transitions

**K**elli Reed began working as a program specialist for the state student assistance programs on Feb. 13, after being a program specialist in the MOSTARS Information Center, where she first became acquainted with the state programs, and a compliance reviewer.

## Staff News

**J**ulie (Sandbothe) Bange is the new ATOM

Accounting Coordinator. Before her move to ATOM, she worked in MOSTARS' compliance unit for over four years. Congratulations also is in order for her marriage to David Bange in November. ★



# MOSTARS Directory Assistance

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**(573) 751-3940**



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**MOSTARS is the student assistance division of the Missouri Department of Higher Education.**

# Highlights of Final Rule Changes

**MOSTARS  
News**

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The general effective date for all final rule changes discussed below is July 1, 2001.

## School Issues

**Eligible Program Definition** [§668.2; §668.8(b)(3) and (4)]: For an educational program to meet the definition of both an academic year and an eligible program, it must include a minimum of 30 weeks of instructional time. Final rules clarify activities that do, or do not, qualify as instructional time for the purpose of meeting the eligible program and minimum academic year definitions. Preparation for examination now qualifies as a week of instructional time only when the school provides at least one day (for standard term credit-hour programs and clock-hour programs) or 12 hours (for credit-hour programs without standard terms) of study for final examinations after the last scheduled day of classes in the payment period. Final rules also add homework to the activities that do NOT qualify as instructional time.

## **Delivery of Federal Family Education Loan Program Funds for Non-Standard Term, Credit-Hour Programs** [§682.604(c)(7)]:

FFEL Program funds for students enrolled in credit-hour programs with substantially equal non-standard terms may be disbursed and delivered on a schedule that coincides with the non-standard term, as currently is the case with standard term programs. Non-standard terms are substantially equal in length if no term in the loan period is more than two weeks longer than any other term. Non-standard term programs that do NOT have substantially equal terms are not permitted to deliver the second disbursement of FFEL Program funds until the later of the calendar midpoint between the first and last day of class in the loan period and the date the student successfully completes half of the academic coursework in the loan period. Delivery rules for students enrolled in clock-hour programs do not change.

**Financial Aid History** [§668.19]: Accessing the National Student Loan Data System for financial aid history information before delivering Title IV funds to transfer students will now be a requirement. The school must use information from NSLDS to determine 1) whether the student is in default on any Title IV loan, 2) whether the student owes an overpayment on any Title IV grant or Perkins Loan, 3) the amount of any Pell Grant

funds scheduled and already disbursed to the student during the current award year, 4) the outstanding (aggregate) balance on the student's Title IV loans, and 5) the amount of and period of enrollment for loans made to the student in each of the Title IV programs during the current award year.

If a student transfers from one school to another during the same award year, the new school must request updated information from NSLDS. The new school may not make a delivery of Title IV funds to that student for seven days following its request unless 1) the new school receives information from NSLDS in response to its request or 2) the new school obtains that information by directly accessing NSLDS. The U.S. Department of Education has not yet announced procedures by which schools will request updated financial aid history data from NSLDS for mid-year transfer students.

**Note:** The USDE declined to authorize implementation of this final rule change prior to July 1, 2001, pending necessary procedural changes and NSLDS enhancements.

Other final rule changes to §668.19 delete the school's regulatory authority to hold disbursements for up to 45 days while awaiting financial aid history information, making such disbursements subject to current time frames for delivery or return of FFEL Program funds (3+10+10 for funds received via electronic funds transfer and 30+10+10 for funds received via paper check). If a school receives a paper request for a financial aid transcript, the school will not be required to respond.

## **Notices and Authorizations** [§668.165(a)(3)(ii)]:

Currently, schools are required to send a student or parent borrower notification that FFEL Program funds have been delivered to the student's account and to notify the borrower of the right to cancel all or a portion of a loan when those funds are received by EFT or master check. If the school chooses to send this notification electronically, final rules now require the school, not the message recipient, to confirm that the intended recipient received the electronic notice. The school must maintain documentation of that

See Final Rule Changes, page 8

**Final Rule Changes, from page 7**

confirmation. An example of the required confirmation is an electronic receipt that is available as a feature of most electronic mail systems.

**Total and Permanent Disability Discharge and Borrower Eligibility** [§682.201(a)(5) and (6) and §682.201(b)(1)(vi)]: A borrower whose loan is discharged due to total and permanent disability between July 1, 2001, and June 30, 2002, must reaffirm the discharged loan to receive a new Federal Stafford or Federal PLUS loan within three years of the date the borrower became disabled, as certified by a physician. These borrowers also must comply with current requirements to obtain a physician's certification stating that the borrower is able to engage in substantial gainful activity. The prospective borrower also must sign a statement acknowledging that the new loan cannot be discharged in the future on the basis of the present impairment, unless that impairment substantially deteriorates.

**General Issues**

**Definition of Totally and Permanently Disabled** [§682.200]: Final rules redefine total and permanent disability as the condition of an individual who is "unable to work and earn money" because of an injury or illness that is expected to continue indefinitely or result in death. The individual's inability to "attend school" will not be a criterion for total and permanent disability discharge nor a factor in determining the borrower's ability to engage in substantial gainful activity for the purpose of regaining eligibility for a new loan.

**Lender Issues**

**Adverse Credit, Extenuating Circumstances** [§682.201(b)(1)(vii)(F)]: Final rule changes permit lenders additional flexibility in the format used to retain information used as the basis for determining extenuating circumstances in cases when a PLUS loan applicant has an adverse credit history. Whereas the lender previously was required to maintain "documentation," now the lender is required to retain a "record" of its basis for determining that extenuating circumstances exist. While that record could be the original hard-copy document, it also could be an electronic or other type of copy of such a document.

**Death Discharge Documentation** [§682.402(b)(2)]: Loan discharge resulting from the death of the borrower (or the student for whom a Federal PLUS loan was obtained) must be based on an original or certified copy of a death certificate. In exceptional circumstances, and on a case-by-case basis, the MOSTARS chief executive officer may approve a death discharge based on other

reliable documentation.

**Note:** MOSTARS originally implemented the requirement that an original or certified copy of a death certificate be submitted with all death claims effective immediately upon the distribution of its August 1999 newsletter.

**Deferment Backdating** [§682.210(a)(5)]: Except for the initial period of unemployment deferment based on the borrower's self-certification of a diligent search for full-time employment, the six-month backdating rule is eliminated for all deferment types, including unemployment deferment that is granted on the basis of eligibility for unemployment benefits. Now, with the exception noted above, all deferments will begin on the date the condition entitling the borrower to the deferment first existed (as substantiated by applicable documentation), even if the borrower's eligibility began more than six months before the lender receives a request (if required) and supporting documentation.

**Note:** The USDE provided a specific triggering event for this final rule change—deferment periods that include July 1, 2001, or a later date. Earlier implementation is not permitted.

**Economic Hardship Deferment Duration**

[§682.210(s)(6)]: Borrowers are entitled to economic hardship deferments for periods that collectively do not exceed three years. Eligible borrowers are no longer required to make an additional request in order to receive deferment continuation that exceeds 12-month increments. (**Note:** Peace Corps volunteers currently are permitted to receive economic hardship deferment for the lesser of the full term of service or the three-year cumulative maximum.) However, final rules do not modify a current requirement for borrowers who qualify based on limited income, for example, federal debt-to-income ratio, the federal poverty line, or federal minimum wage. These borrowers must submit evidence of eligibility to the lender in order to qualify for extensions of no more than one year each beyond the initial one-year deferred period. For more information, refer to §682.210(s)(6)(iii) - (v) and (ix) on page 65620 in Part V of the Federal Register dated Nov. 1, 2000.

**Economic Hardship Deferment, Eligibility Criteria**

[§682.210(s)(6)(x)]: To determine eligibility for an economic hardship deferment, a borrower's monthly income is based on 1) the gross amount of income the borrower receives from employment and other sources or 2) one-twelfth of the borrower's adjusted gross income, as recorded on the borrower's most recently filed federal income tax return. Final rule changes delete a requirement that this federal tax return be filed within

**See Final Rule Changes, page 10**



# Perkins Loan Entrance Counseling Now Available

In the October 2000 issue of the MOSTARS newsletter, we announced that students can complete their Perkins Loan Entrance Counseling on the Mapping Your Future web site at [mapping-your-future.org/perkins/entrancecounseling](http://mapping-your-future.org/perkins/entrancecounseling).

MYF developed Perkins Loan Counseling with the help of students and financial aid professionals at the request of schools who want to offer the feature to their students. It is a federal requirement that students complete an entrance counseling session prior to obtaining a Perkins Loan. The 1998 reauthorization of the Higher Education Act updated this regulatory requirement to allow Perkins Loan counseling via electronic means. The purpose of the session is to help students understand their rights and

responsibilities as a student loan borrower and to prepare students for proper management of their Perkins Loans and repayment.

Schools wanting to offer MYF's Perkins Entrance Loan Counseling to their students should complete the Request for Participation form at [mapping-your-future.org/perkins/entrancecounseling/sch.cfm](http://mapping-your-future.org/perkins/entrancecounseling/sch.cfm). The enrollment process usually takes less than a day but does require the school to respond to MYF, confirming the information on the form is correct.

Currently, MYF offers Perkins Loan Counseling as a service separate from Stafford Loan Counseling because, at many campuses, these programs are managed by separate offices. Schools will use a different user name and password to access Perkins Loan Counseling

## MOSTARS News

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confirmation reports than they use for Stafford Loan Counseling confirmation reports.

Perkins Exit Loan Counseling is scheduled to be available by April. It will be very similar to the Stafford Exit Loan Counseling and will include repayment, deferment, and consolidation information. Borrowers will be required to pass a multiple-choice test before being allowed to provide reference and contact information to complete the exit counseling session.

If you have questions or suggestions about online Perkins Loan counseling, contact your MOSTARS client service representative. ★

## Final Rule Changes, from page 8

eight months prior to the borrower's deferment request.

### Unemployment Deferment Documentation

[§682.210(h)(2)(i)]: For a borrower to qualify for continuation of an unemployment deferment based on a search for full-time employment, the borrower must provide the lender a written certification that includes information showing that the borrower made at least six diligent attempts to secure full-time employment during the preceding six months. Final rule changes permit lenders the flexibility to accept alternative information to support a borrower's claim that he or she is seeking employment. This information may include, for example, the employer's name, address, and telephone number or other information acceptable to the lender.

**Disbursement Schedules** [§682.207(b)(1)(i)(B) and (c)(3)]: While regulations never prohibited lenders from complying with a school's request to modify a disbursement schedule, final rules clarify that lenders must adhere to the school's disbursement schedule or

any modification to that schedule that the school requests.

### Forbearance for Collecting Death Documentation

[§682.402(b)(3)]: Currently, upon receipt of reliable information indicating that a borrower (or student for whom a parent obtained a Federal PLUS loan) has died, a lender must suspend collection activities for no more than 60 days pending receipt of required documentation. Final rule changes permit an additional administrative forbearance period of no more than 60 days (for a total 120-day suspension of collection) if additional time is required to obtain the original or certified copy of a death certificate or other documentation acceptable to MOSTARS.

**Late Disbursement** [§682.207(f)(2)]: Final rules delete the requirement that lenders provide schools a notice that a late disbursement is being made to accompany FFEL Program funds that are disbursed late. ★

The Missouri Department of Higher Education makes every effort to provide program accessibility to all citizens without regard to disability. If you require this publication in an alternate form, contact the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940. Hearing/speech impaired can call (800) 735-2966.



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**FIRST CLASS**

MOSTARS, the student assistance division of the Missouri Department of Higher Education, publishes this newsletter to inform Missouri's higher education community about current issues concerning early awareness and outreach, consumer information, state and federal student financial assistance programs, and student loan default prevention.

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